



**WLS Holdings Limited**

**滙隆控股有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8021)**

**First Quarterly Report 2008/2009**

\* *For identification purpose only*

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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*This report, for which the directors (“the Directors”) of WLS Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## RESULTS FOR THE THREE MONTHS ENDED 31 JULY 2008

The Board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the three months ended 31 July 2008 together with the comparative unaudited figures for the corresponding period in 2007 as follows:

### UNAUDITED CONSOLIDATED INCOME STATEMENT

		<b>Three months ended 31 July</b>	
		<b>2008</b>	2007
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Turnover	3	<b>42,327</b>	40,633
Cost of sales		<b>(35,102)</b>	(32,207)
Gross profit		<b>7,225</b>	8,426
Other income		<b>158</b>	159
Administrative expenses		<b>(5,290)</b>	(6,052)
Finance costs		<b>(816)</b>	(1,355)
Share of results of jointly controlled entities		<b>(621)</b>	–
Profit before taxation		<b>656</b>	1,178
Taxation	4	<b>(119)</b>	139
Profit for the period		<b>537</b>	1,317
Profit attributable to:			
Equity holders of the Company		<b>501</b>	1,683
Minority interest		<b>36</b>	(366)
		<b>537</b>	1,317
Dividend per share	5	–	–
Earnings per share			
– basic	6	<b>HK0.07 cent</b>	HK0.32 cent

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### Attributable to equity holders of the Company

	Share capital	Share premium	Merger reserve	Revaluation reserve	Share option reserve	Retained profits	Total	Minority interest	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 May 2007	4,762	20,639	2,222	1,206	–	24,872	53,701	(487)	53,214
Profit for the period	–	–	–	–	–	1,683	1,683	(366)	1,317
Placing of shares	900	16,376	–	–	–	–	17,276	–	17,276
Exercise of share options	3	29	–	–	–	–	32	–	32
At 31 July 2007	<u>5,665</u>	<u>37,044</u>	<u>2,222</u>	<u>1,206</u>	<u>–</u>	<u>26,555</u>	<u>72,692</u>	<u>(853)</u>	<u>71,839</u>
At 1 May 2008	7,353	60,935	2,222	1,546	6,836	27,771	106,663	(1,411)	105,252
Profit for the period	–	–	–	–	–	501	501	36	537
Expenses on open offer of shares	–	(335)	–	–	–	–	(335)	–	(335)
At 31 July 2008	<u>7,353</u>	<u>60,600</u>	<u>2,222</u>	<u>1,546</u>	<u>6,836</u>	<u>28,272</u>	<u>106,829</u>	<u>(1,375)</u>	<u>105,454</u>

Notes:

## 1. Basis of preparation

The unaudited condensed financial statements have been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

## 2. Principal accounting policies

The unaudited condensed financial statements have been prepared on the historical cost basis except for certain properties which are measured at fair values.

The accounting policies and method of computation used in the preparation of condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 April 2008, except as described below.

During the period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA that are effective for annual periods beginning on or after 1 January 2008.

HK (IFRIC) – Int 12	Service Concession Arrangement
HK (IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application of the new HKFRSs has had no material effect on results and financial positions for the current and prior accounting periods.

The group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The Company is still not in the position to estimate the impact that may arise from the application of these new standards and interpretations.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2009  
<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009  
<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008  
<sup>4</sup> Effective for annual periods beginning on or after 1 October 2008

The preparation of condensed financial statements in conformity with Hong Kong Financial Reporting Standards issued by HKICPA requires the use of certain critical estimates. It also requires directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement, assumptions and estimates are significant to the condensed financial statements. These condensed financial statements should be read in conjunction with the 2008 annual financial statements.

### 3. Turnover

	<b>Three months ended 31 July</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Contract revenue in respect of construction and building works for the provision of		
– scaffolding service	<b>29,717</b>	18,838
– fitting out service	<b>2,135</b>	5,360
Management contracting service	<b>5,169</b>	15,424
Gondolas, parapet railings and access equipment installation and maintenance services	<b>5,306</b>	1,011
	<b>42,327</b>	40,633

### 4. Taxation

The taxation credit (charge) comprises:

	<b>Three months ended 31 July</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Hong Kong Profits Tax – current year	<b>(114)</b>	838
Other jurisdiction – current year	<b>(5)</b>	(699)
	<b>(119)</b>	139

Hong Kong Profits Tax is calculated at 16.5% (three months ended 31 July 2007: 17.5%) of the assessable profit for the three months ended 31 July 2008.

Taxation arising on other jurisdiction is calculated at the rate in the relevant jurisdiction.

## **5. Dividend**

The Directors do not recommend the payment of an interim dividend for the three months ended 31 July 2008 (three months ended 31 July 2007: Nil).

## **6. Earnings per share**

The calculation of the basic earnings per share is based on the unaudited profit attributable to shareholders for the three months ended 31 July 2008 of HK\$501,000 (unaudited profit attributable to shareholders for the three months ended 31 July 2007: HK\$1,683,000) and the weighted average number of 735,342,693 ordinary shares for the period (three-month period ended 31 July 2007: 529,542,896 shares).

No diluted earnings per share has been presented for both periods because the average exercise price of the Company's outstanding share options is higher than the average market prices of the share in both periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review and outlook

For the three months ended 31 July 2008, the turnover of the Group amounted to approximately HK\$42,327,000 representing an increase of about 4% as compared with that of the corresponding period in 2007. Net profit attributable to equity holders for the three months ended 31 July 2008 was approximately HK\$501,000 which is equivalent to a decrease of about 70% from that of the corresponding period in 2007.

During the period under review, the business operations of the scaffolding division experienced an improvement resulting from the increase in construction activities in the local construction industry. For the three months ended 31 July 2008, the scaffolding division secured 8 works contracts for the provision of scaffolding for new sites, such as the construction site in Fei Ngo Shan, as well as for renovation works to be carried out in residential towers such as the 129 Repulse Bay Road and the renovation of UA cinema in Shatin.

In respect of the operating results of the fitting out business division, a new contract for the supply and installation of suspended ceilings to Lung Tin Village in the New Territories was awarded during the period under review. The successful diversification of the Group into the fitting out market and the goodwill and excellent references acquired contributed to the Group in becoming one of the prominent players in the local fitting out market.

In regard to the access equipment division, the contract for the design, supply, installation and maintenance of access equipment for the Stonecutters Bridge proceeded according to plan. In addition, the supply and installation of access equipment to the Venetian in Macau was on-going according to schedule. During the period under review, due to favourable seasonal factors, the operating results of the Group's fleet of temporary gondolas improved and enjoyed an almost full utilization rate.

During the period under review, the on-going projects of the GRC (Glass Reinforced Cement) division proceeded according to schedule. The contracts for the supply of GRC animal sculptures in Noah's Ark Theme Park and for the GRC covered walkway in Ma Wan Park were approaching the final stage. Besides, works contracts for the supply and installation of GRC themed cladding to the external facades of the Venetian (Phase 2) in Macau was near to completion.



In respect of the international division, the current works contract for the supply and installation of access equipment to a landmark commercial building complex in Beijing proceeded according to plan. Besides, our Group planned to promote the trading of building material business by participating in several international exhibitions of building materials in the coming months. Considerable marketing efforts and resources were deployed to develop this business and diversify into the trading of building materials.

Concurrently, the management of the Group is committed to vigilant cost control in all operating units. As the economy of Greater China continues to thrive and experience considerable boom, its demand for building materials and other natural resources continues to show significant growth. The Group is alert to seize this invaluable window of opportunity to leverage on the expertise and financial strength of its overseas partners to further diversify into international businesses with considerable potentials to enhance shareholders' value in the ensuing reporting periods.

### **Financial Review**

For the three months ended 31 July 2008, recognition of revenue increased by 4% to approximately HK\$42,327,000 due to increased number of projects in the scaffolding, fitting out and management contracting divisions. Despite this increase in turnover, gross profit decreased to HK\$7,225,000 due to lower profit margin experienced in the face of current competitive market environment.

Due to management's commitment to vigilant cost control, the Group's administrative expenses and finance costs decreased as compared to that of the corresponding period in 2007.

As a result of decrease in gross profit during the period, together with the share of profit of one subsidiary company by a minority shareholder amounting to HK\$36,000, profit attributable to shareholders decreased by 70% to HK\$501,000.

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 31 July 2008, the interests and short positions of the Directors (including the chief executive) of the Company in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### **Long positions in shares**

Shares

<b>Name of director</b>	<b>Number of ordinary shares held</b>		<b>Percentage of the issued share capital of the Company</b>
	<b>Personal interest</b>	<b>Family interest</b>	
Mr. So Yu Shing	321,750,000	105,030,000	58.04%
Ms. Lai Yuen Mei, Rebecca	105,030,000	321,750,000	58.04%
Mr. Woo Siu Lun	18,400,000	–	2.50%
Mr. Kong Kam Wang	5,625,000	–	0.76%

Ms. Lai Yuen Mei, Rebecca is the spouse of Mr. So Yu Shing.

## Long positions in underlying shares

The following table discloses details of movements in respect of the Company's share options during the period:

Name of director	Date granted	Exercisable period (Both dates inclusive)	Exercise price <i>HKS</i>	Outstanding at 1.5.2008	Granted during the period	Outstanding at 31.7.2008
Mr. So Yu Shing	8 October 2007	15 April 2008 to 14 April 2014	0.60	2,800,000	–	2,800,000
	2 May 2008	9 November 2008 to 8 November 2014	0.217	–	4,400,000	4,400,000
Ms. Lai Yuen Mei, Rebecca	8 October 2007	15 April 2008 to 14 April 2014	0.60	2,800,000	–	2,800,000
	2 May 2008	9 November 2008 to 8 November 2014	0.217	–	4,400,000	4,400,000
Mr. Woo Siu Lun	8 October 2007	15 April 2008 to 14 April 2014	0.60	5,800,000	–	5,800,000
	2 May 2008	9 November 2008 to 8 November 2014	0.217	–	1,400,000	1,400,000
Mr. Kong Kam Wang	8 October 2007	15 April 2008 to 14 April 2014	0.60	4,300,000	–	4,300,000
	2 May 2008	9 November 2008 to 8 November 2014	0.217	–	2,900,000	2,900,000
Mr. Ip Ping Hong, Antony	8 October 2007	15 April 2008 to 14 April 2014	0.60	1,500,000	–	1,500,000
				<b>17,200,000</b>	<b>13,100,000</b>	<b>30,300,000</b>

Save as disclosed above, as at 31 July 2008, none of the Directors or their associates (including the chief executive) of the Company had any interests or short positions in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required by the GEM Listing Rules to be notified to the Company and the Stock Exchange.

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 31 July 2008, the persons who have interests and short positions in shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

### **Long positions in shares**

<b>Name of substantial shareholders</b>	<b>Number of ordinary shares held</b>
Mr. So Yu Shing	321,750,000
Ms. Lai Yuen Mei, Rebecca	105,030,000

Save as disclosed above, as at 31 July 2008, the Company has not been notified of any other person (other than a Director of the Company and the chief executive of the Company) having an interest or short position in shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

## **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

Save as disclosed above, at no time during the period was the Company or its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the three months ended 31 July 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

During the three months ended 31 July 2008, the Company had followed a code of conduct regarding directors' securities transactions as set out in Rules 5.46 to 5.68 of the GEM Listing Rules. The Company had also made specific enquiry of all directors and was not aware of any non-compliance with the required standard of dealings and the code of conduct regarding securities transactions by directors.

## **COMPETING INTERESTS**

None of the directors or the management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had any business which competed or might compete with the business of the Group.

## **AUDIT COMMITTEE**

The Company has established an audit committee on 9 November 2001 with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members, namely Mr. Yeung Po Chin, Mr. Lam Kwok Wing and Dr. Fung Ka Shuen, all being independent non-executive directors. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to review the Company's annual reports and accounts, and half yearly and quarterly reports.

The Group's unaudited consolidated results for the three months ended 31 July 2008 have been reviewed by the audit committee which was of the opinion that the results complied with applicable accounting standards, the GEM Listing Rules and legal requirements and that adequate disclosure had been made.

## **CORPORATE GOVERNANCE**

During the period, the Company has applied the principles of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

By order of the Board

**So Yu Shing**

*Chairman*

Hong Kong, 12 September 2008

As at the date of this report, the Board comprises Mr. So Yu Shing (Chairman and Executive Director), Mr. Kong Kam Wang (Executive Director and Chief Executive Officer), Ms. Lai Yuen Mei Rebecca (Executive Director), Mr. Woo Siu Lun (Executive Director), Mr. Yeung Po Chin (Independent Non-executive Director), Mr. Lam Kwok Wing (Independent Non-executive Director), Dr. Fung Ka Shuen (Independent Non-executive Director) and Mr. Hui Tung Wah (Non-executive Director).